

Chapter XI Report of the Independent Auditor – The PRC

PwC ZT Shen Zi (2007) No. 10044

**To the shareholders of
JINGWEI TEXTILE MACHINERY COMPANY LIMITED:**

We have audited the accompanying financial statements of Jingwei Textile Machinery Company Limited (the “Company”) and its consolidated subsidiaries and jointly controlled entities (the “Group”), which comprise the balance sheet as at 31 December 2006, and the income statement and cash flow statement for the year then ended and notes to these financial statements.

I. MANAGEMENT’S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of these financial statements in accordance with the Accounting Standards for Business Enterprises and the Accounting System for Business Enterprises. This responsibility includes:

- (1) designing, implementing and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- (2) selecting and applying appropriate accounting policies; and
- (3) making accounting estimates that are reasonable in the circumstances.

II. AUDITOR’S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the China Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

III. OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial positions of the Group and the Company as of 31 December 2006, and of its financial performance and its cash flows for the year then ended in accordance with the Accounting Standards for Business Enterprises and the Accounting System for Business Enterprises.

PricewaterhouseCoopers
Zhong Tian CPAs Limited Company

Shanghai, the People’s Republic of China

18 April 2007

Zhang Guojun
Certified Public Accountant

Liu Lei
Certified Public Accountant